

Entrepreneur Vs Corporate Executive: Who makes the best IT CEO?



A failed experiment

When Internet pioneer Jerry Yang announced in 2007 that he would be taking over the chief executive role at the Yahoo, the company he co-founded over a decade earlier, speculation ran high over whether the dotcom wunderkind could turnaround the flailing business.

Could the Internet pioneer transition from a successful entrepreneur to a corporate CEO? While he had never been the chief executive– he held the ambiguous title of Chief Yahoo! – Yang was a company insider who has been with the business in its entire 15 years of existence.

As it turned out, he failed miserably. Within two years, his reign had ended, and his time at the top was most remembered for rejecting a generous offer from Microsoft offer to buy the company. When it was announced he would be stepping down from the company, Yahoo's market cap surged by \$2.3 billion in after-hours trading.

BusinessWeek listed Yang as one of the "Worst Managers of 2008". As of January 17, 2012 when Yang resigned from Yahoo's board, the company's market capitalisation was US\$20 billion, less than half the US\$44 billion Microsoft had offered for the company.

His reputation had also suffered irrevocable damage, and so did the prospects of tech entrepreneurs harbouring ambitions of running large corporations themselves.

Is Yang's experience reflective of the reality on the ground? With their knack for innovation and ability to handle risk, do entrepreneurs make for good CEOs, or should company boards stick to the battle-hardened executive who has paid his dues climbing the corporate ladder.

A foot in every pie

Among other things, successful technology entrepreneurs are known for their ability to take on risk and build products and organisations from scratch – initially taking on the key roles of the business, from product development, operations, finance to sales and marketing.

They also become proficient in raising money and dealing with investors, as outside funding is the lifeblood of tech and web start-ups. In the fast moving world of technology, these individuals must also be able to adapt quickly to a changing market place, adapting their business models as circumstances change or initial assumptions fail under real world conditions.

The ability to attract talent – often with the lure of nothing more than the promise of future profits - as the company grows, is another key attribute.

Knowing when to get out of the way

How does this compare with what is expected of a CEO? Corporate leaders are generally far removed from the day-to-day grind of running a business. Their key role is to define and communicate a clear vision and core values, and then find the right talent to execute a strategy to achieve that vision in accordance to the organisation's values. They have to know when, where and why to deploy or redeploy talent and resources.

Or put another way, the chief executive has the overall responsibility for creating, planning, implementing, and integrating the strategic direction of a company in order to meet its financial goals. The CEO generally reports to a Board of Directors.

The model corporate CEO is generally acknowledged to be Jack Welch, the legendary former head of American conglomerate GE. When asked how he transformed the then underperforming corporate giant into a dynamic organisation focused on innovation and growth, Welch replied: "My job is to put the best people on the biggest opportunities and the best allocation of dollars in the right places. That's about it. Transfer ideas and allocate resources and get out of the way."

A Spring Professional Case Study

From Home Office to Corner Office

Nigel Wylie,
CEO of Thrive water, Singapore

After saving up almost US\$18,000 from working at a waste water treatment facility in Northern China, American Nigel Wylie came to Singapore in early 2011 to start Thrive Water, a clean technology business aimed at allowing Asia's growing population to access greater volumes of clean water.

Working from home as a one-man outfit, his first projects were with small engineering firms that treated waste water as well as Hyflux, the local giant in the industry. The company had broken even by April 2011 and he later secured big name customers such as Singapore's national water agency PUB as well as regional players in Indonesia and the Philippines.

His rapid success did not go unnoticed, and Wylie was headhunted by YME Link, a clean technology investment group, to head their operations as managing director. He continues to run Thrive in parallel with his new appointment.

Unlike the free-spending ways of some start-ups, Wylie is financially conservative, watching and accounting for every dollar he spends.

"It's so cost prohibitive in Singapore that only the best of the best are going to come out of this alive. You can have an idea but to survive here you have to hit the ground running. I'm not a seeker of pain but I'm attracted to the challenging environment," he explained.

Apart from his technical knowhow, this attention to fiscal detail could have been part of his allure for YME, which partners with clean tech companies, helping them access technical, marketing and other resources.

He has also shown a knack for attracting talent and building teams, an important skill for a CEO of a growing enterprise.

"There is a lot of left over manufacturing talent in their early 40s. They lost their jobs when the sector was down and some would have ended up as taxi drivers. We managed to pick up some of them," he said.

A world away from working in sewage or his bedroom, Mr Wylie now sits in an office in a Tuas facility overseeing over 30 employees. However, he has to battle perceptions by some of his staff – some with decades of career experience – that he is too young and inexperienced to run a large operation.

His way of overcoming these biases is to get his hands dirty along with his employees.

"When you get your hands dirty, it's really appreciated in a culture that doesn't do that. Everything I expect my guys to do in the factory I've done before."

Never the twain shall meet?

As the competencies required for successful entrepreneurs are different from those expected of chief executives, in most cases they are not best suited to run a large organisation in a traditional corporate setting.

Due to their personalities and background, most entrepreneurs tend to be a disruptive force within a company. Since the successful ones are driven and ambitious risk-takers, they are generally geared for action since their survival depends on it. On the flip side, this means that they may not excel at key management skills such as coaching, team-building and talent development. They are not adept at getting out of the way to let others execute his vision.

This explains why many successful tech entrepreneurs appoint an experienced CEO to run their the businesses they founded after it reaches a certain scale. The good news is that if one is willing to learn, these skills can be acquired over time. And for tech entrepreneurs who can accept the constraints of working within a large corporation and focus on the big picture of driving an organisation towards its vision, their ability to take risk and move quickly can be a boon to companies operating in an increasingly volatile environment.

India, for instance, has had thrown up several recent examples of large companies appointing former entrepreneurs to run their businesses. These include Avinash Vashistha, the founder of NEO IT who was appointed chairman and geography managing director for Accenture in India in 2011 (Refer to *Case Study: A Six-Year Job Interview*).

While still a novelty in the corporate world Vashista and others like him demonstrate that it is possible for entrepreneurs to lead large enterprises successfully. Indeed, these individuals are able to effectively combine their natural flair for risk-taking with strategic leadership to give their organisations an edge over the competition. The key for IT companies, however, is being able to identify the rare few who can make the total spectrum of their skills greater than the sum of its sometimes conflicting parts.

A Spring Professional Case Study

A Six-Year Job Interview

Avinash Vashistha,
Geography Managing Director for Accenture in India

In 1996, after working in senior leadership roles at Canadian telecom giant Nortel, Avinash Vashistha an expat working in India, decided capitalise on the booming Indian economy by starting Neo IT, a consulting firm that worked with clients globally in business and technology.

After a decade of running the business, it expanded into education and investment, and was renamed Tholons. From that time, Vashista had opportunities to work with Accenture, the global technology consulting giant.

Clearly impressed by his abilities, Accenture in 2011 offered him a position to head India and even bought the consulting part of his business.

"It took me 6 months to decide," said Vashistha in a recent interview with *The Economic Times*. He admitted that he had more business in his own business and that had a big impact across the organisation.

His experience at Neo IT and Tholons had put him in a variety of roles that connected him with Fortune 50 CEOs, CFOs and CIOs. As such, working with an MNC like Accenture was not an issue as he had interacted in depth with the global top talent pool.

"You should consider people inside the organisation as clients, set aside your ego and look at the challenges that your peers and seniors face. It's a solution-based approach since you have to feel convinced about what you're doing. If you're a leader, you can't feel like a manager," he said.



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